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Schenck, Robert
Cumming

Internal tax

[Washington]

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INTERNAL TAX.

SPEECH

OF

HON. ROBERT C. SCHENCK,

OF OHIO,

In the House of Representatives, June 1, 1868.

The House being in Committee of the Whole on the state of the Union, on the bill (H. R. No. 1060) to reduce into one act and to amend the laws relating to Internal Taxes—

Mr. SCHENCK said:

Mr. CHAIRMAN: A great deal that I may have to say on this project of a law which we have now placed before the House and the country, I shall reserve for the debate that will necessarily arise on the various amendments that may be offered and points made in the progress of its consideration and discussion. The bill is long—the longest, perhaps, ever submitted to Congress; but gentlemen must not be alarmed on that account. It need not occupy our time in disposing of it at all in proportion to that length. The long and patient labor of the Committee of Ways and Means will be found to have abridged in considerable degree, I think, the labor of this committee.

Gentlemen will please to observe the title of this bill. It tells truly and succinctly the character and extent of our work. It is “a bill to reduce into one act and to amend the laws relating to internal taxes.”

When the Committee of Ways and Means at this session entered first on the task of considering what legislation might be required in relation to internal taxes, it was with the expectation—an expectation shared in, probably, by most members around me—that their attention and their labor might be confined to changes of some parts of the law to meet generally the altered condition of things in the country, and particularly to satisfy the reasonable desire of the people for relief to be extended to some of the industrial interests which had been heavily burdened under the necessities of a state of war, but from which a portion, at least, of those burdens might now be lifted. Added to this was the conviction of an evident need for more ingenious devices, and more vigorous provisions, to prevent or punish the sadly, dreadfully increasing growth and boldness of fraud in the practices of tax-payers

and of officials—practices which were threatening, if unchecked, to rob the Government of a large proportion of the revenue legitimately accruing and needed for its uses. It was soon apparent, however, that our work, to be thorough, could not stop with such partial accomplishment.

The present laws relating to internal revenue are embraced in twenty-five different acts, spreading through the statute-book from August, 1861, to the present session. These acts, in succession, enlarge, restrict, modify, repeal, and not infrequently repeat or contradict, much of what goes before, so that the whole mass of them, if not chaotic, are at least, in many respects, anything but clear and easy to be understood by the people, who are to obey, or by the officers who are to enforce them. The obstacles are only in a degree removed by interpretations and regulations. I beg to be understood, in speaking thus, as not meaning to imply any disparagement of the work of any former committee or former Congress. Internal taxation was an experiment—a necessity on which we were driven; and it was not to be expected that a new system should be built up and adapted to the business and habits of our country and people hastily and under the pressure of circumstances without its being, in many respects, imperfect in form, if not erule in substance. So we found it.

I do not for a moment pretend to claim perfection for the bill before you, and by which we have sought to remedy some of these defects and evils in the existing law. But we have done the best we could, with these views of what it was our duty to attempt. The compilation and condensation of the internal revenue laws, prepared at the office of the Commissioner of Internal Revenue, a copy of which I hold here in my hand, contains one hundred and forty-one pages of closely printed matter. The pamphlet edition of the bill we present shows one hundred and twenty-four pages, but, allowing for the differences in the width of the print, the contents are, perhaps, about the same. This is owing to the fact that, while we have condensed and very much compressed and abridged what is now in the law, we have also added a great number of new provisions that seemed necessary for effective legislation. I do not wish to be thought to magnify the labor of the committee, but some idea of the nature of our work may also be obtained by the inspection of this curiously mottled copy of the bill which I now exhibit to you. I will explain what it is. Mr. Bassett, the very intelligent and faithful clerk of the Committee of Ways and Means, has ingeniously prepared for my convenience a copy which shows over all its pages and on the margin, by distinctive red and blue pencil marks, what sections or portions of each section are new matter, and what parts are reenactments of the existing provisions of law. Gentlemen will observe what a perfect piece of mosaic work he has made of it. For instance, one section on which I now cast my eye I see by the markings and marginal references is made up by selecting here a sentence and there part of a sentence, and there a separate clause, collected from as many as six

different places, scattered through the present statutes, all on the same subject, and infinitely related, but now for the first time brought together in their proper connection.

Having said this much in regard to the general scope of our labor and the spirit in which we have conducted it, I will proceed now, Mr. Chairman, to make some brief explanation and analysis of the bill we are considering, so as to give gentlemen some idea of its structure, and the most material points in which it differs from the present law.

The key-note of one great change which we propose, and which pervades and distinguishes our bill throughout, is to be found in the first and immediately succeeding sections. We propose, it will be seen, to make of the office of the Commissioner of Internal Revenue an independent department. By this I do not mean a department with an officer at its head who is to be expected, under the usage of the Government, to be invited to the Cabinet councils of the President; but one rather like the Department of Agriculture, with a chief, styled, not a secretary, but a commissioner. The provisions which follow immediately after this will make our purpose obvious. We desire to give this independent character to the Commissioner of Internal Revenue, in order not only to mark and secure his own responsibility and accountability for the conduct and management of all affairs in the department, but to enable him, under the Constitution, as "head of a Department," to appoint all his subordinates, for whom and whose conduct also we intend he shall be in the full-st degree responsible.

No one could have studied or observed, even in the most casual way, the working of our internal revenue system without having been forced to the conclusion that the greatest present evil under which we labor, and that which contributes most to defeat the collection of our taxes, is the dishonest character of the officials employed, and when remedies for these are sought the impossibility of finding anybody responsible for the appointment of such agents or for their conduct. In short, there is no head to the establishment; or perhaps it would be more nearly true to say that, worse than that, it is a triple-headed monster. We have the President, Secretary of the Treasury, and the Commissioner of Internal Revenue, to look to—all and each—and yet in fact neither of them acknowledging full responsibility.

What is the consequence? Tax-payers commit frauds, officers connive at them, often they even give active assistance in the stealing that is going on; complaints are made; the Commissioner replies that he has no power over these officers to remove the thieves and appoint honest men, because the selections are made through the Secretary of the Treasury and by the President. The Secretary, if appealed to, explains that he can do nothing but advise the President, and shelters himself in that way. The President interposes both the Secretary and the Commissioner between himself and the people; and the simple result of it all is, that, with the whole country looking on, the

stealing is not stopped, but proceeds, growing worse and worse, and the soundrels bolder and bolder from day to day, until the whole aggregate evil is appalling, and it has become a question who rules this country—whether its proper constituted authorities, or gangs of tobacco thieves and a "whiskey ring?"

That I do not speak too strongly, in explanation of this first section of the bill upon which I am commenting, I will undertake to show by a brief reference to some facts which may be considered more fully hereafter when we come to debate the particular sections of the bill involving the questions under consideration, the independence of the department.

The *New York Evening Post* charges that the Committee of Ways and Means, and their chairman, by introducing a bill of the character of that now before you, embracing as one of its distinguishing characteristics the feature to which I am now referring, are assuming to be king-makers. It says that to give such power to a commissioner or to any officer of this Government, as is provided for by the various sections of this bill, is virtually to confer power equal to royalty. And the writer in that paper illustrates this by reference to one of the sections, section ten—a section which gives to the Commissioner power to change and alter the existing collection districts as may seem to be expedient, or may become necessary in the execution of the law.

Sir, that was an unfortunate illustration, for it so happens that that section ten is one of the sections copied from the existing law, with the single exception of changing the head of the department. It is proposed by this section to confer upon the Commissioner of Internal Revenue a power before vested in the Secretary of the Treasury and the President. If it be admitted that there must be an individual responsible, a certain head of the department, then you admit the necessity of that among other provisions of the law, and in looking around for some exemplification of the kingly power to be exercised by this head of the department, it was unfortunate that the writer of the article should have stumbled upon that which is virtually now in the law.

Mr. Chairman, I admit that this bill will confer very large powers upon the Commissioner of Internal Revenue, and powers which ought not to be delegated to him or to any officer of the Government, unless made necessary for the due and secure enforcement of the law. The question is not upon the delegation of authority. Everybody will admit that a head of the department must have this power. The true question is, whether this one person, clothed with these extraordinary powers, but restrained by a proper accountability or responsibility, will not secure for us, from the general fund of collected taxes, a larger amount for the use of the Government than the present system yields.

The writer in the *New York Evening Post* seems to have no fear (and perhaps such is the prevailing sentiment in these days) of the President being made a king. But I say that whether it be President, Secretary, or Commis-

sioner, there ought to be no fear in placing the power somewhere, and with some officer who can be distinctly known and who can be distinctly held by the people to the performance of his trusts.

If this House and the Congress should not agree with us in doing what we have thought to be most expedient—to create this department and put at the head of it an officer, saying to him, "There are the powers; here is the revenue to be collected; the whole accountability is thrown upon you; collect these taxes, or neglect to do it at your peril!"—if Congress, I say, should not agree to that, then I will at least ask that, refusing to confer this power upon the Commissioner with such instructions, they shall confer it upon the Secretary of the Treasury without the intervention of the Commissioner, or upon the President without the intervention of the Commissioner or Secretary; upon somebody, somewhere, so that we may know who to hold to account for that which is done, and for that which is omitted to be done. I am pleading a cause of vital interest to the country, the raising of revenues honestly, fairly, and without fraud and robbery, to the amount of our necessities.

I say there is in fact no head now. How do I prove this? Take a report which came in the shape of a letter from the Secretary of the Treasury to the Senate on the 14th of February last in answer to a resolution calling for information. If any gentleman will take pains to look at that document he will find that it embodies, among other things, this statement by the Secretary:

"The recommendations of the Commissioner in regard to some fourteen officers are still under advisement, and proper means are being used to ascertain whether or not the incumbents ought to be removed, and whether removals, if considered advisable, are likely to be effected by the confirmation by the Senate of such nominations as may be made by the President.

"It must be obvious to the Senate that the failure of an effort to effect the removal of an inefficient and dishonest officer would prejudice rather than benefit the service, and that, therefore, it is not only necessary that the character of officers should be subjected to proper scrutiny, but that the practicability of changes should receive careful consideration."

And there comes in another element of necessity to be calculated when we are proposing to make this Commissioner not only the single head of the department, but to confer upon him the power of removal and appointment. You have now not only a triple head to the department, responsibility being divided between the President, the Secretary, and the Commissioner, but a fourth body comes in to share in the responsibility, to wit, the Senate; and if the Secretary, the Commissioner, and the President can be agreed as to what shall be done in reference to removals and appointments, then arises the other difficulty. They express a doubt as to whether there can be anything like accord between them and the Senate, so as to procure confirmation of those who may be appointed.

What further does the Secretary say? He claims that all recommendations for removal during the session of the Senate have received prompt and proper attention by the Executive, and complains further that much of the difficulty

arises from the restraint under the tenure-of-office law. Now, what are the facts? Here are the names of twenty-seven persons, the list being confined to assessors and collectors alone, the removal of about one-half of whom was called for in July last, nearly a year ago, and the removal of the others in December last. Of the whole twenty-seven, how many, think you, have been displaced up to this time? I believe but one.

Let me give you a few items upon these points, obtained by investigation at the Commissioner's office. I find that on the 15th of July, 1867, while the Senate was in session, the Commissioner made recommendations for the removal of four assessors and three collectors; that all of those assessors are still in service; and that one of the three collectors was suspended in September last, but the case has never been disposed of by the Senate; and another of the collectors afterward resigned. So that of these seven recommendations for the removal of officers not a single recommendation has yet been effective. All the assessors are still in office; one of the collectors has resigned, and one only has been suspended. Therefore if it can be claimed that there has been any action upon the recommendations in these cases, it amounts simply to the suspension of one of the seven officers, not one of them having been removed.

Again, on the 30th of December, 1867, eight collectors and two assessors were recommended for removal. One of these collectors, Steadman, afterward resigned; one of the assessors of the first district in Mississippi has been removed; but all the others of the ten are still in service.

On the 15th of January, 1868, three assessors and two collectors were recommended to be removed, the recommendation being made, as in all the other cases, by the Commissioner. In reference to these no change whatever founded upon these recommendations has been made. A man by the name of Hopkins, in the first district of Georgia, was suspended, although he was not on the list made up by the Commissioner. The Secretary is mistaken in this respect; at least in the Secretary's reply, which contains all the letters of this kind, I find no letter making the recommendation. But this officer was suspended upon a charge of perjury in taking the test oath at the time of entering on the duties of his collectorship. But it was not until a year after the taking of that oath, nor until immediately after his election to the constitutional convention of Georgia, that the suspension was made; but no successor has been appointed.

In short, of all the removals recommended by the Commissioner, it seems that only one has been made. Four suspensions have been made by the President during the recess last summer, and one in January, while the Senate was in session; but neither of these has been acted upon by the Senate. Several recommendations, I find, have been made by the Commissioner since the letter of the Secretary, dated on the 14th of February last, one recommending the removal of the collector of the first South Carolina district, and also of the collector in the first district of Mississippi; but upon neither of

these recommendations, so far as I can ascertain, has there been any action by the Secretary or the President. The office of assessor in four districts has been vacant since the 3d of March, 1867; in one district since the 15th of November, 1867; in two districts since December, 1867; and in one since January, 1868.

But I will not detain the committee with further facts of this character. I give them by way of illustration, and what I say is that, although a year ago it was manifest to the Commissioner that fraud and speculation and the connivance at fraud were marking the career and course of a great many subordinates in the internal revenue service, and the proper authorities were appealed to, as the laws now exist, to have these delinquent and scoundrel officers removed, such is the diffusion of responsibility between the President, the Secretary of the Treasury, and the Senate, that little or no regard, you may say almost none at all, has been paid to this or any subsequent recommendation.

What I claim, therefore, is, that it has become apparent to the country, as it has to us while looking into this matter, that if we would have the revenue of the country collected, it is time to stop this diffusion of responsibility, existing under the present law to such extent that it seems to rest upon nobody with sufficient weight to procure a certain performance of the duty of seeing that we have good and faithful officers to assess and collect the tax. Look at one of these consequences. Here is the second district in Indiana, where a vacancy occurred on the 31 of March, 1867, nearly fifteen months ago, and yet that district is vacant to this day. In the first New York, tenth Pennsylvania, fourth Wisconsin, in all these districts the vacancy in the assessorship has continued from the 3d of March, the same date, up to this time. In the fourth district of Virginia no assessor since the 15th of September, 1867. In the fourth district of Ohio none since the 20th of December, 1867.

Mr. NIBLACK. The gentleman from Ohio refers to the second district of Indiana. I see that my colleague, [Mr. KERR.] who represents that district, is not now in his seat; and I wish to say that that vacancy continues by reason of the failure of the Senate to confirm such persons as have been nominated. Repeated nominations have failed to be confirmed on account of the disagreement between the Senate and the Executive. I presume in the other cases the difficulty has arisen in the same way.

Mr. SCHENCK. The committee will bear me witness that I have not in the course of this argument been laying the responsibility upon any particular branch of the Government. I have said that the law is such that between the President, the Senate, the Secretary, and the Commissioner, there is such division of responsibility that we can get nothing done.

Mr. NIBLACK. I thought it added force to the gentleman's illustration. Mr. SCHENCK. It does. I am obliged to my colleague on the committee for the suggestion. It proves, even if the President were all right, if the Secretary were all right, if the Commissioner were all right, it might yet be that there is another body that would fail to meet the necessity in not acting upon

the recommendations made by the proper Department. I do not say it is so. I repeat, from the divided responsibility and the want of accord between them, we have no proper officers, I might almost say none, with exceptional cases, to collect the revenue, and the stealing goes on.

But my argument is, at present at least, confined to this point, that whether it be the fault of the President or of the Senate, we have no accord between them; or whether the Commissioner has not enough influence with the Secretary or the Secretary not enough with the President, or whether nominations are not made at all, or if nominations are made, they are so improper that the Senate in the discharge of their duty do not feel they ought to confirm them, wherever the fault be, every one of these facts tends to illustrate the one single proposition, we have an establishment without a responsible head, and the law will never be executed and the tax never collected until we reduce our system to one of concentrated responsibility.

Our method of effecting this is to give to the head of the Department, whoever that head may be, entire power over the subordinates of the Department; to appoint them for sufficient reasons, to fill vacancies when they may occur, and to remove them when, in his judgment, they are not properly qualified to discharge the duties confided to them.

There are three ways in which the responsibility of subordinates might possibly be provided for, and every one of them received, before we came to the conclusion we have embodied in the first sections of the bill, attention and discussion by the committee. It was thought by some that one mode of getting good officers, as it was vitally necessary to secure intelligence and honesty, would be to adopt for the internal revenue department something like the provisions of the civil service bill, which is now pending in this House, and which has been so admirably presented and firmly insisted on as a cure for these evils in our political system by the accomplished gentleman from Rhode Island, [Mr. JEWCKES.] But there was a difficulty in legislating differently for this department from other Departments. There was a difficulty in adopting all the machinery of a board of examiners, as contained in that bill now pending before you, (and which I intend, for myself, most heartily to support,) and it was thought better not to attempt such special legislation in reference to one particular department, but to apply a cure for the evil now, even if that cure should come hereafter in another shape by a general bill on the subject, when we could, perhaps, put this department, like others, under the general provision of such a law.

Another proposition, and by some at first insisted upon, was that good officers would be secured if you required that all the inspectors, special agents, storekeepers, and other subordinates should have the confirmation of the Senate superadded to the nomination of the President; and thus, by concurrent action of the President and Senate, the best men might be selected. I think a sufficient answer to that proposition has already been made by the illustration I have given in regard to assessors and collectors. If, with a

limited number of these officers, two hundred and forty only of each kind, assessors and collectors, we cannot have that co-operation between the President and Senate which is requisite to secure honest men of these classes, how much worse would "confusion be confounded" if we were to throw upon the Senate the burden of considering, examining, and deciding upon the case of each one of the inferior officers?

I concluded then (and others agreed with me) that the proper mode was to concentrate the responsibility in one particular head of department; and, confessing that the powers are great, I maintain that the emergency is greater, and to meet this emergency this plan is presented in the full confidence of its success.

The collection of an internal tax must always be accompanied with much that is disagreeable to an officer of the law, and much that makes it odious to the people who are compelled to submit to what are naturally unpleasant requirements. But one reason for that is, if you are to collect the excise at all, if you are to impose an internal tax to meet the necessities of the Government, it is a tax of a nature which requires above all others, perhaps, that there should be a prompt, ready, almost arbitrary power exercised at each stage of the collection. Taking for granted, then, that power of this kind must be lodged somewhere and with some officer, and satisfied that if you distribute it the power will not be exercised for the benefit of the country at large, but that those whose duty it is to enforce the law will escape responsibility by division of their accountability to the public, we have settled upon the conclusion that the true way to get the tax collected is to have it done under one officer, strongly empowered and armed for the purpose, and to hold him to the strictest account for everything that he shall do, under such circumstances that all public observation and all watchfulness of the law may be concentrated upon him without the possibility of his escaping from that accountability.

Does this House recollect a very remarkable communication made by the Secretary of the Treasury a few months ago touching this subject? It was found, during the last session of the Thirty-Ninth Congress, some time before we adjourned, that there had been established or grown up under the authority of the Treasury Department, in the city of New York especially, but also in some of the other cities of the Union, what were called metropolitan boards. As it was a provision for the investment of power in officers not recognized nor provided for in the revenue laws of the country, I myself offered a resolution calling upon the Secretary of the Treasury for information as to the reason for their creation, and the conferring of power upon them outside of the law. You may remember his answer. It is on record. The Secretary of the Treasury, in explaining what he had done, informed us that his action was necessary, because he could not trust the officers of the revenue who were employed in these different cities, but was compelled to create a board to sit perpetually and watch them. We said then it would have been far

better for the Secretary of the Treasury to have removed the defaulting and rascally officers; but he threw himself upon that confession before Congress and before the country, and I am very well satisfied that the confession did but disclose the proof that he stood agast in the center of his cordon of officials, knowing that they were stealing the revenue which it was his duty to see collected, and he had deemed it impossible to correct the evil without setting somebody else to watch the rogues he had in his employ.

Now, then, I want to get rid of that whole necessity; and I end upon this point, as I began, with admitting that this is very great power to be conferred upon a single officer—not much greater, however, by the way, than is exercised, under some degree of supervision, it is true, but almost without control, by the collector of customs, having an official army under him, at the port of New York; but it is great power to be conferred upon any one officer. And yet while this great power is thus conferred, and as I claim necessarily conferred, I hope gentlemen will find, as they advance further through the bill and see its different provisions, that we have taken good care to hold this officer himself to the completest account for that which he may be called upon to do. When we come to discuss those sections of the bill, it may be that I shall have many more illustrations to give to the House, from facts which I have collected by investigations made at the revenue department, in relation to the bad working of the present system; but I leave it for the present.

I desire now to ask the attention of the committee to the peculiar features of the law which we propose as it regards the organization of the internal revenue department. I have prepared the following table, which exhibits in brief a statement of the number of officers employed in the department proper or office of internal revenue under the existing law, and the number which we propose by the bill:

OFFICERS AND CLERKS IN INTERNAL REVENUE DEPARTMENT IN WASHINGTON.	
PRESENT LAW.	PROPOSED LAW.
1 commissioner..... \$6,000	1 commissioner..... \$6,000
1 deputy commissioner..... 3,500	1 assistant commissioner..... 4,000
2 deputy commissioners @ \$3,000..... 6,000	6 deputy commissioners @ \$3,000..... 18,000
7 heads of departments @ \$2,500..... 17,500	1 solicitor..... 4,000
1 solicitor..... 4,000	25 clerks, class 4..... 45,000
34 clerks, class 4..... 61,200	40 clerks, class 3..... 64,000
45 clerks, class 3..... 72,000	40 clerks, class 2..... 55,000
50 clerks, class 2..... 70,000	25 clerks, class 1..... 30,000
37 clerks, class 1..... 44,400	50 female clerks @ \$300..... 45,000
15 female clerks @ \$300..... 4,500	3 messengers @ \$840..... 2,520
5 messengers @ \$840..... 4,200	3 assistant messengers @ \$720..... 2,160
3 assistant messengers @ \$720..... 2,160	10 laborers @ \$100..... 6,500
15 laborers..... 9,750	
Total..... \$350,210	Total..... \$283,180
283 180	
Less cost by proposed law..... \$ 67,030	

It will be seen that under the present law there is one commissioner at a salary of \$6,000. We propose to retain him at the same salary. There are three deputy commissioners at salaries of \$3,500, \$3,000, and 2,000 respectively. Instead of these three deputy commissioners, we propose one assistant commissioner and six deputy commissioners, for reasons which I shall presently explain. Under the present law there are seven heads of divisions, at \$2,500 each. We propose to dispense with them altogether. The solicitor we retain. The thirty-four fourth-class clerks we reduce to twenty-five; the thirty-five third-class clerks we make forty; the fifty second-class clerks we reduce to forty; the thirty-seven first-class clerks we reduce to twenty-five; the fifty-five female clerks we reduce to fifty; the five messengers to three messengers; the three assistant messengers we retain; and the fifteen laborers we reduce to ten. Under the present law a number of officers are provided for, with salaries amounting in the aggregate to \$350,210. We, although we have the six deputies I have spoken of, have provided only for a number of officers with aggregate salaries amounting to \$283,180—a saving of \$67,030 per year on salaries in this organization.

There are other offices, however, in the general service of the Department under the present law. During the last month, when the numbers were obtained, I find that there were two hundred and forty collectors and two hundred and forty assessors, and there were three thousand four hundred and forty-four assistant assessors. These three thousand four hundred and forty-four assistant assessors I must, in justice, however, to the Department and its administration, admit have now been reduced by some four or five hundred, mainly under the effect of the law which we passed relieving manufacturers from assessment upon valuation.

There are eleven revenue agents under the existing law, ten under one clause, and one appointed under another, with an aggregate salary of \$23,000. There are two hundred and eighty-eight revenue inspectors. There are thirty special agents of one class at five dollars a day, two of another class at six dollars a day, two of another class at seven dollars a day, and one class at seven dollars a day, making an aggregate of \$67,890 for these inspectors and agents. This gives, however, but a shadow, as it were, of the whole number employed, because I find that, in addition to the officers I have named, on the 10th of April last, there were six hundred and thirty-eight general inspectors of spirits, six hundred and ninety-one inspectors of tobacco, snuff, and cigars, and one hundred and forty-five inspectors of coal oil. What we propose is a system by which we shall sweep out of existence, as gentlemen will find on reading further in the bill, all this array of inspectors of spirits, coal oil, and tobacco, who are now employed by the Government nominally, but paid by distillers and others, and belong to the distillers or manufacturers. We propose to do away with all these revenue agents, and with all special agents of every kind, and to confine ourselves to store-keepers and gaugers

who, under the direction of the local officers, shall perform the duties of these inspectors, but who shall be paid some proper compensation by the Government.

On comparing the present law with the proposed law, we find that the aggregate cost under the present law for the officers whom I named was \$4,362,170, and under the proposed law we provide for \$3,672,200, being 689,970 less than the existing law, with this, however, to be considered in that connection: that is, that we shall probably make no reduction of the actual direct expenses on the part of the Government, because in this statement is not included storekeepers. We propose that storekeepers hereafter shall be paid by the Government at the different distilleries and warehouses where they are employed.

That being the case, it will probably take nearly a million of dollars to pay the per diem of all these storekeepers, at four or five dollars; whatever sum may be fixed by the House. We have reported it at five dollars per day. Thus the actual expenditures for all these outside officers in the revenue service may even be some two or three hundred thousand dollars more than under the existing law.

Why are we willing to do that? Because we believe that for that direct expenditure in the payment of these classes of subordinate officers we will be many hundredfold reimbursed by having them depend upon the Government and not upon those to whom they are sent.

How does this thing work now? Probably some gentlemen may have been making the same observations I have, and will confirm what I am about to say. In some country district represented by some gentlemen here upon this floor there is possibly a distillery, and the same is, I suppose, equally true, in some form or other, in regard to distilleries in the cities. An inspector is sent to that distillery to remain there in charge under a law which provides that he shall receive a per diem compensation from the distiller. What is the consequence? The moment he arrives at the distillery he is taken into the confidence of the distiller, perhaps carried to his house to board, free of all expense, made to feel in every way that he gets his pay and employment from the distiller, and not from the Government he professes to serve; and, by a natural process of reasoning and feeling on his part, he very soon settles down into a habit of thought conforming to the idea that he belongs not to the Government but to the distiller.

A gentleman near me asks if he will not get pay from both sides if the Government pays him, instead of from one side, as now. We have recommended in our bill, and I will presently refer to it, a system of supervision in the different judicial districts by competent and responsible officers provided for that purpose, with power on the part of those officers, and with the Commissioner of Internal Revenue alike to change storekeepers from distillery to distillery and warehouse to warehouse; thus preventing them from growing

fixed in their places, like snails and barnacles attached to the particular distillery to which they may have been originally sent, and keeping them going from place to place under the eye of the Government.

[Here the hammer fell.]

The CHAIRMAN, (Mr. POMEROY in the chair.) The gentleman's hour has expired.

Mr. NIBLACK. I move that the gentleman's time be indefinitely extended.

No objection was made.

Mr. SCHENCK. I thank the Committee for this extension. I had no idea that in the explanation I am making I had occupied so much of their time, for I have not been watching the clock.

To resume. We are willing, for the sake of asserting the great principle that each officer must be employed by the Government, and look to the Government, and be responsible entirely to the Government, to adopt a system which shall cost possibly some two or three hundred thousand dollars more in the collection of the taxes, while we shall save, perhaps, more than millions upon millions by changing the system and the practice.

There is another thing to which I have but alluded, but which I will now explain. I have said that we get rid of the whole trite of revenue and special agents. Under the present law a revenue agent, operating in a certain district, it may be in Illinois, Indiana, or New York, is sent with power to go into any district and make seizures right and left; assume all the functions of the local officers; be accountable to none of those local officers, and in practice, I must confess, scarcely accountable to the central officer here. And yet the collector, as well as the assessor, has certain duties imposed upon him which he is expected and required to perform.

Some stranger, some one of these fellows with a roving commission, goes into a district, elbows aside the collector and assessor, and undertakes to perform the functions of either or both of them, to make seizures, to decide questions, and to do everything connected with the collection of the revenue.

The consequence is that your assessor or collector, finding his jurisdiction thus invaded, if he be dishonest colludes with the agent, (who, without much violence I may assume, is generally dishonest,) or else runs a little opposition "ring" against him; or if he be honest, folds his arms, feeling that he is thus thrust aside to make room for another who is sent there to usurp his functions, and lets everything go as it will. We propose to get rid of all that by holding each assessor and each collector to the strictest account for all that takes place within his local jurisdiction, and not to give him the excuse that some man comes in from the outside and exercises independent functions within that jurisdiction.

There is another feature in the present law which we have undertaken to sweep away. It is provided now that a collector of any one district may have

a special commission to invade any and every other district within a region of country, and perform the duties of collector, assessor, and all other revenue officers within these districts which he visits. There is an example of this going on just at this moment in the State of New York. A Mr. Bailey, who is the collector of the fourth collection district of that State, has a sort of general roving commission under the law to go into all the neighboring districts, to make seizures right and left, and exercise all the functions of the local officers, without either co-operating with them or regarding what may be their particular duties. Now, it may be that it was felt to be very necessary to send one collector to watch other collectors and assessors, because one or all were dishonest, and, in the opinion of the Department, "rogues must be set to watch rogues." I mean nothing personal or disrespectful to Mr. Bailey. I am only using this case to illustrate a vicious system and practice. If that is not the reason, then it may be a great refinement upon the idea of responsibility to send one honest collector to look after the various other honest collectors and assessors, and thus make the action under the laws, in the collection of revenue in the different districts, conform to the action here, where responsibility is thus divided.

But in framing this bill we have set our faces against all division of responsibility. We have provided, in lieu of these special agents, a system of this kind: we propose that in each judicial district, (except in the cases of Florida, Delaware, and like small districts, where an attachment to an adjacent district is suggested,) there shall be a supervisor of internal revenue; but instead of being a wandering officer he is to be a responsible man, properly paid by the Government, having a fixed office. In fact, an officer to whom reference may be made, and whose duty it shall be to supervise and report upon the conduct of all the local revenue officers within his district. But even he is to refer the cases for final action to the Commissioner of Internal Revenue.

Thus a system of responsibility from the head downward is to be maintained. So that if there be anything wrong in the division of an assistant assessor, that assistant assessor shall be held accountable. If there be anything wrong in the collection district, the collector and assessor, according to their particular duties, shall be held responsible for derelictions and omissions of duty. If there be anything wrong in a judicial district, the supervisor of revenue for that district, who is no mere temporary or ambulatory official, but a man of responsibility, with a fixed office, shall be held responsible. And if there be anything wrong in the collection of the revenue of the whole country, in the general conduct of its officers or their particular conduct in any special district, the Commissioner of Internal revenue, standing at the head, is to be held responsible for the whole and for all the particulars. But I have already, I think, detained the committee too long on that point, and I will leave it.

The next explanation I desire to make is in regard to the particular portion of the bill which relates generally to manufactures. The policy of the Com-

mittee of Ways and Means, according, as I think, with the general policy expected and desired by the country, was indicated by the act which was passed by the present Congress on the 31st of March. Gentlemen on the Democratic side will excuse me for quoting a good sentiment; no matter whence it comes, if they are but fond of that kind of literature; I commend it heartily to their attention. They will find it in the Republican platform adopted the other day at Chicago—a principle and a rule by which the committee seeks to square its action. The fourth resolution in that platform declares—

"That it is due to the labor of the nation that taxation should be equalized and reduced as rapidly as the national faith will permit."

Mr. BURR rose.

Mr. SCHENCK. The gentleman will have an opportunity afterward.

This resolution, Mr. Chairman, is but in conformity to the views of the Committee of Ways and Means as declared by them in a resolution familiar to this House, passed by the committee and made public in January last, soon after we entered upon our duties in connection with this subject. We then declared, as the sense of the Committee of Ways and Means, "that while we would endeavor to provide for \$150,000,000 as the amount of revenue necessary to be obtained from internal taxes, the same should, as far as practicable, be collected from distilled spirits and fermented liquors, tobacco, and manufactures of tobacco, stamps, special taxes, incomes, dividends, luxuries, and amusements, banks and railroads, gross receipts, legacies and successions, leaving the least possible sum to be collected from the industrial pursuits, or relieving that class of interests entirely." Entire relief of the industry of the country is not possible; but we thought one step was made toward it when, on the 31st of March, there was matured and passed through both Houses of Congress, and approved by the President, a bill, the main and most important feature of which was the relief of the manufacturers of the country from that heavy *ad valorem* tax of from two to five per cent. charged upon certain commodities. They were remitted to a small tax on sales of only one-fifth of one per cent., and that only when those sales exceeded in amount \$5,000 per annum.

We have carried that provision in regard to manufactures into this bill, with one exception, upon which I have no doubt we will hear in due time from our friend from the Northwest, who sits in front of me, [Mr. FERRY.] That exception is the exemption of breadstuffs and unmanufactured lumber. I give my friend notice that in the bill we have presented here, we have left out those exceptions, and we have taken the ground that all manufacturers are to be treated, not with reference to the particular thing they produce, but with regard to the capital they employ and what they do with it, and how much they succeed in producing and disposing of. We tax the sales of the great body of these manufacturers equally, and whether any exemption is to be made or any particular manufacture favored will be a matter to be discussed when we reach that point.

Following out the idea contained in the resolution to retain luxuries, if gentlemen will look into this bill as it progresses they will find that while we put only this two-tenths or one-fifth of one per cent. upon the sales of manufacturers generally, we have given less favor to manufacturers of certain luxuries; as, for instance, the manufacturer of fine confectionery is charged six dollars a thousand, or six-tenths of one per cent. on all over \$5,000. On ornamental jewelry, and gold and silver ware, we have charged one per cent. on all over \$5,000. On fire-arms we have charged the manufacturers one-half of one per cent. On billiard tables and playing cards, we have put one full per cent. Our idea has been that, while we adopt the general system of placing a tax on the sale of manufactured articles of one-fifth of one per cent., we might still select certain articles used only or generally by those who are wealthy, and put a heavier tax on the sales of such articles. Such a tax will be collected, mainly if not entirely, at last from the consumers; and those consumers will be limited in number and such as are most able to pay.

Gentlemen will find a portion of the bill devoted to the subject of special taxes. Special taxes are what were formerly known as licences and permits, for which an annual sum was paid. Gentlemen will recollect that the Supreme Court has decided that a law of Congress could not be sustained which required the payment of money for a privilege to carry on a business in the future. They held, however, that they would recognize the right of Congress to impose special taxes on persons engaged in particular pursuits, the carrying on of the business being a condition incident to the levying of the tax. Conforming to that decision of the Supreme Court, for the last two years there have been called not licences, but special taxes. In the existing law there are fifty-one of these subjects of special taxation. We have increased that number to seventy-one, partly by separating from the general mass of manufactures, some which were, as I have said, specially to be regarded as objects of luxury, and partly by extending this special taxation to additional occupations which do not come within the class of manufactures. But we have made other changes as to these special taxes. We not only introduce twenty-one more objects of taxation, but we make alterations in regard to particular subjects of tax as now existing.

The retail dealers of the country are now all subject to special taxes upon sales above \$1,000. We propose that small retail dealers in goods, wares, and merchandise shall be subject to no tax whatever, unless their sales amount to \$5,000 a year or more. Thus very small establishments for neighborhood convenience, in the villages and at the cross-roads, are relieved from any taxation whatever. We have thought it was not so much an act of favor toward these retailers themselves as it was an advantage to the public to leave dealers in future, below so small a limit, free from any burden on their trading.

Wholesale dealers now pay one-tenth of one per cent. on their sales above \$50,000. We propose to put them on the footing of manufacturers, and charge them two-tenths of one per cent.

Lottery managers now are classed with lottery dealers. We make a distinction in this bill between managers and dealers in lottery tickets. While we continue the present tax of \$200 on each lottery dealer we hold them to a strict responsibility, and make the managers give bonds for their observance of the law; and we charge each lottery manager who is not thus distinguished under the existing law, \$3,000 as his special tax; and I am glad to know that this class of tax-payers have made up their minds to submit contentedly to this increased demand.

We have taxed places of public amusement, theaters and other institutions of that kind, much more heavily than they are now taxed, classifying them, but taking care in the classification to leave out all exhibitions connected with schools, fairs, benevolent institutions, or churches, in which the people have a general interest.

Hotels we have classified by their yearly rental, in such a manner as to bear lightly upon small taverns and inns, and to gain increased revenue upon the large establishments like the Fifth Avenue, Astor House, or Continental, and, perhaps, without offending anybody, I may say Willards.

There is another class of persons brought into the special tax list never before looked after. These we have denominated foreign commercial brokers. I do not know that I ought to explain that provision here, nor will I do so any further than to say this: there is a class of agents coming from Europe taking rooms at the Astor House or Metropolitan Hotel, or some other place in New York or Philadelphia, having no offices nor goods in store, but by samples which they exhibit negotiating the sales of millions of dollars' worth of property, receiving orders which they transmit to Europe, never paying any tax on their sales or income, and claiming that no officer has the right to impose any such tax. We have, therefore, provided as a measure of protection toward the regular dealers in our country, that while a commercial broker, known and responsible as such, pays his twenty dollars, one of these foreign brokers or agent of a foreign house who is without any fixed place of business, and escapes payment upon his sales, shall pay for his special tax \$5,000, and shall be put in the penitentiary, I may add, if he be found exercising his functions in wandering about the country without having paid that special tax.

I touch now upon a fruitful subject—the tax that we put upon distilled spirits. We have provided in reference to retailers of spirituous liquors, that instead of paying twenty-five dollars each they also shall be classified and each pay according to the amount of the business, \$25, \$50, \$100, \$200, or \$1,000. And we have defined a retail dealer, not, as in the present law, to

be one who sells a certain quantity of liquor, \$25,000 worth a year, but any person who sells liquor in quantities less than one quart, or sells it to be drunk at the place where it is sold, thus following the definition in the statute-books of most of the States. Wholesale liquor dealers at this time pay one-tenth of one per cent. upon all sales they make above \$50,000. We propose that they shall pay hereafter two and a half per cent.—twenty-five times as much—and shall pay it upon all sales above \$2,000 instead of on sales above \$50,000. I have made an estimate of what we may reasonably expect to obtain by a tax on sales of retail and wholesale liquor dealers at the rate charged in our bill, even if there should not be a further increase on retail dealers, who, I have always thought, ought to pay, in one way or another, about double as much, if not more, than wholesale dealers. And I believe we can obtain from these sources, and from the special taxes on distillers and taxes on the capacity of distilleries, to which I will presently allude, an aggregate revenue of \$24,000,000.

I come, then, to the special tax which we would impose upon the distiller himself. We have made this, as gentlemen will observe, \$100, and one dollar upon each barrel produced. And here I beg the committee to bear with me a little, while I diverge from this subject of the special tax to other things connected with the sale and production of distilled spirits, naturally connecting themselves with it. I say we have put a special tax upon distillers of \$100, and a further special tax of one dollar on each barrel produced. Proceeding further in the bill, gentlemen will find that we have added to those taxes also a tax upon capacity, and that we provide that there shall be three dollars a day paid upon the capacity of every distillery that mashes and ferments one hundred bushels of grain and less, and an additional three dollars a day for every additional one hundred bushels mashed and fermented.

Now, all this is part of a system; all this is part of the machinery in relation to a revenue to be derived from distilled spirits, and although found under different heads and in different parts of the bill, it must all be in some degree considered together. We have retained, gentlemen will observe, the tax of two dollars a gallon as a direct tax upon whiskey; but I take occasion to say here now that it is not the expectation, I believe, even of the committee, that that amount of direct tax will be retained by the House or by Congress. If we had let it be known four months ago that whiskey was to be taxed only a dollar or seventy-five cents or some less sum per gallon, we should have lost about four million dollars of revenue, which, within that time, has been derived from the two-dollar tax, under the impression that the two-dollar tax would be continued. Revenue at the rate of about thirteen million dollars a year, to which it had been reduced during the past year, has continued to come in, and we have obtained within the last four or five months, since this matter has been considered, some four or five million dollars which we would not have

obtained at all had it been known, with any degree of certainty, that the tax would be reduced. I do not know whether this Congress will agree to reduce the tax. I for one have come very reluctantly to the conclusion that it must be done. From the very beginning I was inclined, much as General Grant was, "to fight it out on that line" which had been adopted. But, Mr. Chairman, I, for one, am now convinced that keeping this tax up to two dollars will too certainly tend to continue the rule of the whiskey ring, and that it is better to reduce it in order that the ring may be broken. We must not be controlled, we must not be governed by these whiskey men, who are even at this very moment, many of them, swarming in this city, especially anxious to know whether or not the tax is going to be kept at such a rate that they can continue their speculative or fraudulent operations.

Step by step, therefore, I have brought myself for one—and I speak now only in my own behalf—to the conclusion that the direct tax on distilled spirits ought to be brought down to something like seventy-five cents on the gallon. The reason why I would be disposed to agree to seventy-five cents is, that from an examination of many witnesses and an investigation of the whole subject, I believe that is about the rate at which it can be fixed and make it impossible for illicit distillation to be carried on with profit. Distillers, or persons so disposed, cannot make spirits from molasses in concealed places, cellars and garrets, in Chicago and Philadelphia, the two great points at which most of this enormous rascality is now carried on; they cannot do it anywhere with anything like their present profit, or, perhaps, with any profit at all, if we underbid them in the market.

And yet I was unwilling to come down to such a low standard of direct taxation on spirits without having put into this bill machinery by which we could collect a very considerable additional tax from it in other ways. By dividing the points where the temptation is felt, we at least put it upon such footing that nothing can be made to any great extent by fraudulating the Government in any one particular. The temptations will not be concentrated so that enough can be made in one direction to justify or make profitable the rascality.

What is that machinery? I have already indicated it. If you put your direct tax down to seventy-five cents per gallon, and then, when you come to other forms of taxation raise your special tax upon distilleries from one hundred to five hundred or a thousand dollars, and on each barrel of whiskey from one to three or four dollars. Let your tax upon capacity remain where the committee have fixed it, or increase it; and let your tax upon sales, retail and wholesale, be retained to some such amount as we have proposed. If you do all this and pass this bill with its rigorous and carefully prepared administrative sections, I cannot, from a number of calculations made from time to time, come to any conclusion other than that we shall get at least \$70,000,000 out

of whiskey in the coming year instead of \$13,000,000 per annum, to which the revenue from that source is now reduced.

So much will probably be said about distilled spirits before we get through this bill, and about the various, and, as some think, too severe restrictions on its manufacture and sale, that I shall reserve very much of what I have to say to the discussion of those points when we come to them. But I thought it was not proper that I should fail to present a general view of the machinery in relation to distilled spirits at the beginning of the consideration of this bill, in order to show how this part of the system hangs upon the rest. We have proposed some other changes, which I will briefly recapitulate.

Banks now pay a tax of one twenty-fourth of one per cent. upon their capital and their deposits, and we propose to continue that tax. But we have increased the tax upon the circulation of banks from one-twelfth to one-sixth of one per cent., just doubling it; and we have included the national banks in this provision, as they were not before. Brokers now pay upon all their enormous sales, made upon the street and at the broker's board, of stocks, bonds, gold, &c., one cent for every hundred dollars. We propose to double that, and make it two cents for every hundred dollars. Small as that tax seems, gentlemen perhaps will be astonished at the large results.

In regard to incomes we propose but a slight change. While we have revised the whole law, and given it, we hope, much greater clearness and perspicuity, we have not materially affected any of the particulars of the law except upon one point. As the law now stands, those who draw salaries from the United States have the five per cent. income tax deducted from the salary when it is paid. And what is the consequence?

Let me illustrate. One of your clerks, it may be, is paid \$1,500 a year for his services. When he receives that amount, \$1,000 being exempt, he pays five per cent. upon \$500, being twenty-five dollars, which is deducted at the time his monthly payments are made to him. He has a wife and family, hires a house, has some few transactions, some had debts, losses by fire or otherwise. His neighbor, receiving \$1,500 a year as the proceeds of his earnings or his business, or income from other sources, is allowed from that amount to deduct his house rent, his expenses, his losses. But the clerk, on receiving his salary, has paid his twenty-five dollars tax, and never gets anything back again. And what applies to him applies to the officers of the Army and of the Navy, your postmasters and all other officers, including yourselves. It is unequal and unreasonable.

We have, therefore, made this small change, affecting a very large class of persons, that salaries shall be returned in incomes, like all other profits, receipts, or earnings, and shall, like other incomes, have the benefit of all legitimate deductions.

Gentlemen will find in the bill a change in regard to the taxation of railroads. Street railroads are by the existing law permitted to charge over against their passengers the tax which they pay to the Government. I will not stop now to inquire whether they have or have not very often collected one cent from their passengers while paying but the eighth of one cent to the Government. This will be the subject of a good deal of discussion, I suppose, as it has been here before. The committee present this bill without that present feature. They have taken the ground that railroads must be subject to taxation out of their proceeds in the same manner as other corporations or as individuals are; and if they need relief because of being limited in

the amount they are entitled to charge, they must seek relief from the State or municipal authorities from which they have derived their charters, or with which they have made their contracts. I heartily agree to this decision of my committee, and this amendment of the law, because it establishes a principle which I think clearly just, and for which I have always contended.

Mr. BLAINE. Does that apply to horse railroads?

Mr. SCHENCK. Horse railroads particularly are included and affected by it.

It will be observed that we have conformed the tax upon mineral oil to what was determined upon by the House, reducing it from twenty cents to ten cents; and we have introduced all the sections necessary to enforce the collection of the tax at that rate. I do not know whether the Committee of Ways and Means will be sustained in this or not. I am not quite certain whether they ought to be. I do not know but we shall be enabled to show such a condition of the public revenue that we may afford to put mineral oil upon the footing of all other manufactures. But that will be a matter for consideration when we reach that part of the bill. On the part of the committee, I request that the House will either sustain the committee by permitting the law to be as it was made last March, or, if any change be made, not to make again two bites of this cherry, but put mineral oil upon a footing with all other manufactures, and thus dispense with a large amount of machinery relating to the collection of the tax on it and its transportation similar to that which is provided for tobacco and distilled spirits.

As to tobacco, we have made a great many amendments in the law in respect to the manner of securing the collection of the taxes. I will not stop to dwell upon these changes now. We have endeavored to make the law rigorous; to make it certain of execution; to have the collection through the medium of stamps, and we trust we have succeeded in presenting sections which will accomplish in a good degree these objects.

While on this subject, I may say that while the country has been astonished at the enormous frauds committed in relation to the tax on whiskey, the case has not been much better with tobacco. Whiskey somehow or other enters more into the politics, if not the daily life of our people, and is therefore perhaps more closely observed than tobacco is. But really there is not much to choose between them, although possibly I ought to confess that whiskey is a little ahead in the race of rascality.

We have not retained the present rates of taxation on tobacco—forty cents, thirty cents, and fifteen cents—but instead of three classes, we have from the testimony submitted to us, and from our investigations of the subject, thought proper to reduce the tax to two rates, and make them respectively forty cents and sixteen cents. We have also provided that smoking and chewing tobacco shall be put up for the most part, if not entirely, in small packages and marked with stamps. Under this system the revenue from this article is, we think, sure of collection, as it could not be if the present system were continued.

The present tax on cigars is five dollars a thousand. The committee submit to the House the question as to the propriety of doubling that tax, but this increase will not perhaps be insisted upon. It seems that if the present high tariff upon cigars is to be maintained, taking this addition to the cost ultimately out of the consumer, as is the case more or less with all these luxuries, we might afford to increase the tax at home. But my own opinion is that we ought to reduce the tariff, as not affording the protection that was intended

to the domestic manufacturer, and that in that case, we might, perhaps, afford to leave cigars at the present rate of taxation, five dollars a thousand, for the benefit of the cheap classes of cigars, which might otherwise be driven out of the market, and the manufacturer of them broken down.

Have gentlemen remarked the great difference between the internal tax on cigars and the tariff upon imported cigars? The tax is five dollars a thousand upon cigars manufactured in the United States without reference to value, thus giving advantage to the higher classes of cigars, but not overhauling the cheaper sorts, of which immense quantities are manufactured. But the charge upon imported cigars is so high that, as I have already remarked, it defeats itself. The tariff is on the average seventy-six dollars a thousand. It is three dollars per pound, cigars upon the average weighing fourteen pounds to the thousand, and to this is added an *ad valorem* tax of fifty per cent. Every gentleman familiar with the trade knows that the average cost in gold of cigars in Havana is about forty dollars a thousand. When you take forty dollars per thousand and calculate three dollars per pound on the weight, and fifty per cent. upon the valuation, all in gold, you will find that this tax, reduced to its equivalent in currency, is seventy-six dollars a thousand. The effect of this great charge has been, that by concealment in boxes, under hatchways, in pockets, in trunks, and by all sorts of means usually resorted to for the purpose of bringing in contraband goods, cigars have been smuggled into the country in countless numbers; and instead of the high tariff being as was intended a protection to our cigar manufacturers at home, it has defeated itself. These smuggled cigars, in quantities so enormous as to exceed calculation, have come into competition with the domestic article.

I will not add anything as to the next part of the bill to which we come, as it relates to distilled spirits, which I have already, perhaps sufficiently, considered.

Before closing this very long exposition, which I have been attempting to give in this familiar and conversational way, I desire to submit some facts in regard to the resources of this country and its expenditures; in other words, its financial condition. I am one of those who believe that, however we may dispute in regard to the changing of one form of public security for another, the amount or volume of the currency to be kept up or its contraction to be made—viewing this financial question in all lights as connecting itself with the public debt—there is, after all, but one way in which the debt of this country is to be paid; and that is, it is to be worked out. The industry of the country, the productions of our labor and of our soil, are eventually to pay our debts; and as this is to be done, we have endeavored throughout this whole system of internal taxation to take care, as far as might be, to keep in view the cardinal principle which I stated in the outset, that we must equalize the taxes as far as practicable, and make them bear as lightly as possible upon the industry of the country, while yielding sufficient revenue for the needs of the Government.

What is the condition of our country now at the close of the long and expensive war through which we have passed—a condition which ought to astonish, and I believe does astonish, the world; a condition which will astonish any one who looks carefully into the facts and figures. To make an American admire his great country and wonder at its enormous resources, it is only necessary that he should go through such an investigation as I have attempted in reference to what are now the prospective means of the country to meet the great liabilities and burdens of obligation under which it lies.

While I am speaking, Mr. Chairman, of the extraordinary capabilities of this country as developed through the perils of war, (and war, as every one knows, is always a profligate in its expenditures,) I ought also, it seems to me, to pay a passing tribute of admiration to the people of this country, who have unflinchingly and cheerfully submitted to all the burdens necessary to be imposed upon them in order that their form of government and all that they held so dear might be preserved.

I propose to conclude what I have to say to-day, as I have already remarked, by an exposition in figures of what we find to be our present condition as to resources and estimated expenditures. And I hope if, by this exposition, I shall show that we are capable of sustaining the country through its burdens and advancing its prosperity, this good condition and prosperity will not be made the occasion by anybody here for extravagance in his votes before we separate. It is not only necessary to raise revenue, but there follows a necessity to be economical in the use of these our great resources. And in substantiating the statement I am to make, I desire to say in behalf of the Committee of Ways and Means that we beg of the House that they will enable any future committee, any future Congress, any future representative in any sense of the Treasury of the country, to make as good and better exposition of affairs by adhering to the strictest economy in the appropriations from the Treasury we may yet be called upon while we are together to make. What I have here prepared I will read to the House knowing, although it is but a dry detail of figures and calculations, it will possibly be interesting to all who hear me; yet, as I give it here it cannot carry all its weight to the minds of the gentlemen who listen to me, and so I beg that when it shall appear in print it may, from its common importance to us all, command your careful consideration and your criticism.

REVENUE RECEIPTS AND NATIONAL EXPENDITURES FOR THE FISCAL YEAR ENDING JUNE 30, 1868.

Receipts.

The receipts of national revenue for the fiscal year ending June 30, 1867, were as follows:

Currency.....	\$314 109,136 61
Coin	176,417,810 88
(Total (coin and currency).....)	\$490 526,947 49

Expenditures.

The expenditures for the fiscal year ending June 30, 1867, were as follows:

For civil service (legislative, judiciary, executive, and diplomatic).....	\$51,110,027 27
Pensions.....	20,896,651 71
Indians.....	4,642,531 77
NAVY.....	31,034,011 64
War, exclusive of bounties.....	83,841,556 80
Total ordinary expenditures.....	191,564,671 59
Interest.....	143,781,591 91
Bounties.....	11,382,859 83
Total expenditures.....	\$446,728,129 33

The balance of receipts over expenditures for fiscal year ending June 30, 1867, was \$143,797,818.16.

By the acts of July 13, 1866, and of March 2, 1867, internal taxes were repealed or abated to an extent sufficient to occasion an annual loss of revenue from internal sources, taking the returns of the preceding fiscal year as a precedent, of at least \$90,000,000; of which amount some sixty to seventy millions were made applicable for the reduction of taxes during the fiscal year ending June 30, 1867, the balance taking effect during the succeeding or present fiscal year.

NATIONAL RECEIPTS AND EXPENDITURES FOR THE CURRENT FISCAL YEAR
ENDING JUNE 30, 1868, ACTUAL AND ESTIMATED.

SOURCES	Receipts.	
	Three Quarters, from from July 1, 1867, to March 31, 1868.	Fourth Quarter, from April 1, 1867, to June 30, 1868.
	ACTUAL.	ESTIMATED.
Customs	\$121,208,374 27	\$44,000,000 00
Lands	896,337 31	300,000 00
Internal revenue	140,686,426 44	50,000,000 00
Direct tax	1,413,500 46	300,000 00
Miscellaneous	35,019,300 71	12,900,000 00
Total	\$299,194,450 29	\$106,600,000 00
		ACTUAL & ESTIMATED
		\$165,208,374 27
		1,196,337 31
		190,686,426 44
		1,713,500 46
		47,019,300 71
Total		\$405,794,450 29

Expenditures.

SOURCES.	Expenditures.	
	Three Quarters, from July 1, 1867, to March 31, 1868.	Fourth Quarter ending June 30, 1868.
	ACTUAL.	ESTIMATED.
Civil—legislative, executive and foreign inter- course	\$38,554,175 32	\$13,000,000
Interior—Pensions and Indians	24,733,337 29	4,000,000
War	88,859,496 82	35,000,000
Navy	19,113,673 53	6,500,000
Interest on public debt ..	109,418,383 87	40,000,000
Total	\$280,678,066 83	\$98,500,000
		ACTUAL & ESTIMATED
		\$151,554,175 32
		28,733,337 29
		123,859,496 82
		25,613,673 53
		149,418,383 87
Total		\$379,178,066 83

RECAPITULATION.

Receipts and Expenditures for Fiscal Year ending June 30, 1868.

Total receipts	\$405,794,450 29
Total expenditures	379,178,066 83
Estimated balance of receipts over expenditures for fiscal year ending June 30, 1868	\$26,616,383 46

NATIONAL RECEIPTS AND EXPENDITURES FOR THE FISCAL YEAR ENDING
JUNE 30, 1868.

Under this head it is proposed to first consider the necessary and probable expenditures of the Government for the next fiscal year; and secondly, the revenue which may be legitimately anticipated during the same period.

The appropriation bills for the next fiscal year, which have passed, or are now pending, are as follows:

Efficiency bill, (S. No. 320.) passed	\$12,839,186 21
Efficiency bill, (Senate conference, No. 462.) passed	22,000 00
Efficiency bill, (reconstruction, No. 1045.) passed	87,710 50
Relief bill, (District Columbia, March 16.) passed	15,000 00
Relief bill, (District Columbia, March 16.) passed	284,004 50
Senator and diplomatic, passed	1,206,131 00
Post-office, passed	1,545,000 00
Pensions, pending	20,350,000 00
Army, pending	33,084,013 00
Navy, pending	17,300,000 00
Appropriation, executive and judicial, pending	16,880,672 00
Sundry civil expenditures pending	6,626,376 32
Indian, pending	2,506,000 00
River and harbor, pending	6,000,000 00
Deficiency bill, pending	1,512,966 00
Total	\$130,304,360 53
Miscellaneous, (including appropriations for New York City Post-Office, private bills, and judgments of Court of Claims.) estimated	\$16,000,000 00
Permanent appropriations for collecting the revenue, &c.	9,963,000 00
Interest on public debt	156,273,834 83
Extraordinary expenditures:	219,931,445 03
Bounties estimated	46,500,000 00
Alaska	7,200,000 00
Total	\$327,051,445 03

To this aggregate there should also be added "lapping" appropriations heretofore made that will not be expended until next year, namely, \$24,609,184, making a total probable expenditure, during the next fiscal year, for which revenue must be provided, of \$352,320,629 03.

REVENUE.

To meet the above estimate for expenditures, the following receipts may be estimated:

Customs	\$165,000,000
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It is difficult to imagine a contingency which shall, for the present, reduce the customs receipts below the above figures. If the average annual gold value of imports into the United States (exclusive of specie) for the last five years, and the present tariff be maintained, an annual gold revenue from the customs in excess of \$165,000,000 is absolutely certain; and if the tariff is reduced, an increase of importations is likely to far more than compensate for any reduction of rate—inasmuch as the duties on some classes of products, formerly of extensive importation, are at present nearly or quite prohibitory.

INTERNAL REVENUE.

The receipts of internal revenue for the current fiscal year ending June 30, 1868, will, as already stated, approximate and probably slightly exceed \$150,000,000.

The internal revenue derived from manufactured articles or products on which the taxes have been abated or repealed since the commencement of the

last fiscal year (July 1, 1866) yielded for the same fiscal year (ending June 30, 1867) the sum of \$87,244,275; of which amount \$23,769,080 were derived from the tax on raw cotton. As many of the taxes upon which this sum was raised were repealed by the Thirty-Ninth Congress during the course of the last fiscal year, and have not been operative during the current fiscal year, it would be erroneous to assume that the sum of \$87,244,275 represents the reduction of internal revenue likely to be experienced for the next fiscal year in consequence of the repeal by the present Congress of nearly all of the so-called "manufacturers' taxes" and of the tax upon raw cotton. On the contrary, the reduction legitimately to be anticipated will be considerably less; and, as deduced from an examination of the receipts of internal revenue since July 1, 1867, and assuming the passage of the bill as reported from the Committee of Ways and Means without essential modifications, will be substantially as follows: From the act of February 3, 1868, repealing the tax on raw cotton, \$23,769,080; from the act of March 31, exempting certain manufactures from internal tax, (including the abatement of taxes on gas and petroleum,) \$15,000,000. Total, \$68,769,080. The revenue, therefore, from internal taxes for the next fiscal year, assuming all other matters in respect to taxes and administration in this branch of the revenue service to remain unchanged, must necessarily be predicated on the basis of the aggregate receipts of the current fiscal year, less the amount of taxes abated or repealed during the present session of Congress, or \$100,000,000—\$68,769,080=\$121,231,000.

That the present state of affairs is wholly exceptional cannot be doubted; neither does it seem possible that fraud and neglect can again reduce the receipts from these two great resources of revenue—distilled spirits and tobacco—to so small a minimum as the returns of the present fiscal year have exhibited; the estimated receipts from distilled spirits for the current fiscal year being less by fifty per cent. than the amount received during the preceding fiscal year, namely, \$29,151,000, in 1867, as compared with (an estimate of) \$13,500,000 in 1868.

With the passage of the amended law, a very considerable gain in internal revenue from other sources is also reasonably certain—especially from the tax on the sales of manufactures, and the modification of the other "special taxes."

The estimates of receipts of internal revenue from various sources, as predicated on the passage of the amended law reported by the Committee of Ways and Means, may be stated as follows:

Fermented liquors.....	\$6,000,000*
Gas and refined petroleum (reduced).....	3,500,000*
Incomes and salaries.....	36,000,000
Gross receipts.....	1,500,000*
Stamps.....	17,000,000*
Legacies and successions.....	2,000,000*
Bank dividends, circulation, and deposits.....	10,000,000*
Fines and penalties.....	1,400,000*
Miscellaneous (Schedule A, &c.).....	2,100,000*
Special taxes (exclusive of the special taxes on the sales of distillers and rectifiers, and inclusive of taxes on sales).....	25,000,000
Total.....	\$115,500,000

* Substantially the same receipts as during the last fiscal year.

The receipts from distilled spirits during the last fiscal year ending June 30, 1867, were \$29,151,340; and from tobacco and cigars, \$19,705,827. With the passage of the amended law it seems impossible, even with the continuance of a defective administration, that the receipts from distilled spirits for the next fiscal year can fall short of \$70,000,000, or from tobacco of \$25,000,000.

Assuming the correctness of these latter estimates, we have then the gross sum of \$210,560,000 as the receipts from internal revenue, which may be reasonably anticipated for the fiscal year ending June 30, 1869.

On the other hand, if we fail to secure any increase of revenue from distilled spirits and tobacco beyond what was secured during the last fiscal year, the receipts of internal revenue for the next fiscal year cannot well be estimated at less than \$164,000,000.

PUBLIC LANDS.

From the sale of public lands the revenue of the current year, namely, \$1,166,000, will undoubtedly be continued.

MISCELLANEOUS RECEIPTS.

For the revenue receipts from miscellaneous sources, i. e., premium on gold, sales of property, consular fees, &c., I adopt the estimate of the Secretary of the Treasury, in his last annual report, namely, \$30,000,000. The receipts from miscellaneous sources, exclusive of the premium derived from the sales of gold coin, for the fiscal year ending June 30, 1867, were \$28,670,008 95. For the first three quarters of the present fiscal year, or from July 1, 1867, to March 31, 1868, the receipts from miscellaneous sources, other than the premium on gold, were \$19,415,280 69, or at the rate of \$25,887,000 for the entire year. These receipts were in great part derived from the sale of military stores, vessels, and other condemned property, and are certain to be much less in the future. During the last ten months the amount of unexpended requisitions and sales of property covered into the Treasury from the War Department amounted to \$5,912,800.

RECAPITULATION.

A recapitulation of these estimates gives the following as the total anticipated revenue for the next fiscal year:

Customs.....	\$165,000,000
Internal revenue.....	210,560,000
Public lands.....	1,000,000
Miscellaneous.....	20,000,000
Total.....	\$406,560,000

Supposing no increase of receipts from distilled spirits and tobacco over the receipts for the fiscal year ending June 30, 1867, this estimate would be reduced to \$360,560,000. Deducting the estimate of expenditures for the next fiscal year, \$352,320,629, the balance to account of surplus revenue would be \$18,239,371. But with the estimated increase of receipts from spirits and tobacco, this balance would be \$34,239,371.

Gentlemen may be astonished at this showing, yet I think it is not an unfair one; for I am of opinion that even if we should exempt petroleum oil from all internal taxation, the revenue from internal taxes other than on tobacco

and distilled spirits, would be about the same as during the last fiscal year; and then, if I am right in my estimates concerning the revenue to be derived from distilled spirits and tobacco, we shall be able to present a balance of receipts over expenditures for the next fiscal year far beyond what the most sanguine have anticipated. I am highly gratified that I am able to make this exhibit, for I think there has been a disposition to underestimate our resources, and also, perhaps, the expenditures that are likely to be made during the next fiscal year.

Mr. BROOKS. What will be the expenses of the War Department for the next fiscal year?

Mr. SCHENCK. The gentleman asks in regard to the expenditures of the War Department. I am glad of an opportunity to give him some explanations in that connection.

The expenditures of the War Department for the coming fiscal year were originally estimated by General Grant, as Secretary of War *ad interim*, at \$51,039,134 20. He carefully revised that estimate in December, and reduced it to the sum of \$37,511,512 20.

Disregarding these estimates made by the competent and responsible head of the War Department, aided by long-experienced and able bureau officers, the Treasury Department assumes that General Grant's estimates are too low and will not meet the expenditure, and that a large deficiency will have to be provided for.

In opposition to this view, and in support of General Grant's reduced estimate, it is to be noted that the war expenditures of the current fiscal year, estimated at \$123,000,000, are not a proper measure for the estimates of the coming year for various reasons, of which some of the principal may here be specified.

The expenditures for the year about to expire included large payments consequent upon Indian hostilities and armies employed by department commanders against frontier Indians, the cost of which has been variously estimated at from twenty to thirty millions. No Indian hostilities now exist or are apprehended; no army or large force is now in the field, but the troops are so disposed under the skillful command of General Sheridan that there is no probability of any serious hostilities nor occasion for unusual expense for supplies, transportation, subsistence, or other extraordinary military expenditure on the western frontier.

This condition admits, also, of a reduction of troops and consequent transportation and supplies, thus diminishing the expenses of the Quartermaster's Bureau; to which must be also added a reduction in the pay of the Army, consequent on a reduction of the forces. The total reduction under these heads, will, it is estimated, be also about nine million dollars.

Mr. BROOKS. I desire to ask the gentleman whose remarks are those? He seemed to be reading.

Mr. SCHENCK. They are my own remarks. I have derived my data from various sources, from the Treasury Department, from General Grant, and from the late Secretary of War; and in all this examination I have been most materially aided by the able and efficient Special Commissioner of Revenue.

Mr. BROOKS. Let me ask the gentleman, who is a reader of the newspapers as well as myself, how he can arrive at the conclusions that the Indian

expenditures will be so much less the coming year, when the indications are already on the frontier that the Indians are very troublesome; for example, on the Pacific railroad, which is now running six hundred miles, it is unsafe to run a train without sending a locomotive in advance to look out for the Indians, and when station-guards on the line of the road, in several places, have been killed by the Indians. There seems to be no safety as yet on that great line of road, and I wish to inquire how the gentleman arrives at the conclusion that the expenditures of the Indian department are to be so much less for the coming year than the present fiscal year.

Mr. SCHENCK. I have no objection to giving the gentleman and the country not only these facts and conclusions, in which I feel fully sustained by the information I have obtained, but also the sources of my information to the fullest extent. We get the first facts in regard to the actual expenditure during the last year, carefully made up, on application at the Treasury Department. We have consulted the officials at the War Department in regard to the probabilities for the future; and not satisfied with that, we have applied in person—I have done so, and so has the Special Commissioner of the Revenue—to General Grant; and have had a full and free consultation with and advice from him as to what will be, according to the present prospect of things on the frontier, the probable expense arising from Indian difficulties in the coming year.

Mr. BROOKS. These, then, are but surmises, guesses, which more or less all of us will make from our general knowledge of public affairs, and of which we will be as likely to be as well informed as military men—I mean the probability of future hostilities by the Indians.

Mr. SCHENCK. No, sir. No guessing. I think the gentleman has not regarded the explanation that I have been giving. When I say that there are no Indian hostilities existing to any great and organized extent now, nor likely to be, I am but stating the actual fact of the day. And I will further illustrate the explanation by adding that during the last fiscal year we not only had Indian hostilities, but active operations conducted by large armies collected in the field to move against them. General Hancock, for instance, thought it advisable to resist Indian hostilities and to seek to crush out any movements on their part by assembling many thousands of men together in a moving army. General Augur was also sent North, I believe, upon the plains, with a large assembled army. There are no such assembled armies upon the frontier now. A disposition has been made of our troops on the frontier, under General Sheridan, by establishing them at the different posts from which relief may be afforded to different parts of the country, and any hostile demonstrations made at once repelled. And the gentleman needs not to be informed, nor does any one, that it is these large assembled armies, with the enormous cost of transportation and of quartermaster stores, which add so very much to the expense either on the frontier or wherever else military operations are conducted.

Mr. BROOKS. Once more, for information. I am not seeking party objects; but the last news from Oregon brings a report of an Indian fight there and the loss of some lives on our side. And if the gentleman heard the debate the other day respecting the Navajo Indians it would seem to be necessary to keep a large force there. What reason to say is this: during the last year on the Missouri river, on the Platte, at Denver, and in various

parts of the Indian country, it costs as much to support and feed them or more as on the route of the Pacific railroad.

Mr. SCHENCK. I beg pardon. The gentleman seems to know very little of military operations—

Mr. BROOKS. I do not know much, and I never wish to.

Mr. SCHENCK. He knows very little of military operations if he has not observed that an army in motion, with all its enormous demands, especially for transportation, is in a very much more expensive condition than an army in posts or inactive.

But I have been drawn away from the explanation which I was about to give, and which will be open to the criticisms of the gentleman, if in any respect he thinks I have been misled or have come to wrong conclusions, when he shall have seen the whole presented together. Unless he desires to interrupt me further, I will proceed with the explanation.

Mr. BROOKS. I beg the gentleman's pardon for interrupting him.

Mr. SCHENCK. That is not necessary. I have been glad to explain.

I was speaking at the time I was interrupted of a reduction of expenditures consequent upon a reduction of the pay of the Army. Gentlemen may ask how is this arrived at. Simply thus: upon application to the General of the Army I find that under the system of economy adopted by him, and upon which he based his estimate for \$37,000,000 for the War Department a few months ago, was a proposed reduction of the rank and file of the Army to the minimum of the companies and regiments, and in pursuance of that arrangement, soldiers are being discharged at the rate of eight hundred per month. It is a matter of mathematical calculation, then, how far such reduction will reduce the demand for expenditures on that account.

The Treasury estimate includes also the sum paid for soldiers' bounties under the act of Congress. But this sum is in no sense a regular expenditure of the military establishment. For convenience, examinations and payments are made through the pay bureau of the Army; but in every practical sense the bounties are a special expenditure, not chargeable, nor to be provided for as a current expenditure of the War Department; so that it is not properly embraced in the war estimates of that Department. The amount of this expenditure for the current year is estimated by the Treasury Department at an average of \$26,700,000 for the ten months past. Striking this bounty item from the regular war estimates, to which it does not belong, would reduce the Treasury estimate for the year about thirty-two million dollars.

Further reduction of the Treasury estimates for the ensuing fiscal year, based on the expenses of the current year, should be made by striking out the payments made on Treasury settlements of State claims for war expenses, and Treasury settlements of private claims for war damages. These war claims of the States have heretofore been the occasion of a large expenditure, but are now all, or nearly all, extinguished. The State claims paid during the first ten months of the present fiscal year have amounted to \$9,250,693 25, while the private claims settled by the Treasury, and paid by the War Department, during the same time, have amounted to \$5,116,300.

These private claims are such as pass through and under the supervision and action for the most part of the Third Auditor of the Treasury. They are claims coming from individual sources on various accounts charged against the Government, and are, of course, not part of the regular expenditures of

the War Department from year to year; but yet in looking forward and seeing what will probably be demanded from us as a draft upon our revenue, we must of course take them into the account.

These private claims settled by the Treasury have heretofore been paid out of the general and current appropriations of the military service by the bureau to which it belongs. They should only be paid by some specific appropriation after settlement by the Treasury. Whether a general appropriation be made in advance from year to year, or for the specific claim, the supervision of congress in either case over this important and dangerous branch of expenditure would be secured as it is not now.

Striking these Treasury settlements from the estimates of regular expenditures of the War Department, in which they are improperly included, makes a further reduction of \$14,866,993 25. The reduction of expenditures for the Military Academy, ordnance, and engineer bureaus, forts, arsenals, &c., including also items covered by "lapping" appropriations, may be estimated at about five million dollars. A further reduction should be made by striking out the expenditures for the Freedmen's Bureau. This bureau is merely a temporary organization, the operations of which are daily diminishing, and may soon wholly cease. Its expenditures are made under the general supervision of the Secretary of War, but are in no sense regular current expenses of the military service. The expenditures for this bureau during the first ten months of the present fiscal year amounted to \$2,000,000, and that amount should be stricken from the Treasury estimate of war expenditures. No appropriation is asked for on this account for the coming year.

The Indian hostilities and negotiations have compelled the War Department to make advances of subsistence stores at times and places of special emergency, upon the express stipulation of reimbursement by the Indian Bureau which has hitherto been disregarded. This expenditure, during the first ten months of the present fiscal year, amounted to the sum of \$277,831 86, and should be stricken from the estimate of war expenditures. This is exclusive of the expense incurred by the War Department in subsisting the Navajos and other Indians held as prisoners of war, which have created a heavy burden on the War Department, increasing the sum on Indian account to about one million dollars.

It will, therefore, be seen that by making the proposed reductions in the Treasury estimates—to which the gentleman called my attention—for the War Department, there will be found nothing to impeach the accuracy of the estimates communicated to Congress by General Grant; and furthermore, they are in the main corroborated by the estimates of the Special Commissioner of Revenue, derived from the Treasury Department itself.

I will now recapitulate what I have been saying on these points:

The total expenditures through the War Department for the current fiscal year will be, as stated.....\$123,859,496

Under this head, however, are included the following items, none of which can be classed as among the regular "Army" or "war" expenditures:

Bounties.....	\$32,000,000
Reimbursing State war claims.....	9,250,693
Private claims for war damages.....	5,116,300
Freedmen's Bureau.....	2,000,000
Subsistence of Indians and advances on account of Interior Department.....	1,000,000

Total.....\$10,466,993

This leaves \$73,382,503 as the aggregate expenditures proper of the War Department for the current year: an aggregate which has been largely augmented by the existence of Indian hostilities on the frontiers during the summer and fall of 1867.

The above expenditure of \$73,382,503 will, it is believed, be reduced during the next fiscal year by the following items:

From discontinuance of Indian hostilities.....	\$20,000,000
From reduction of pay of Army, (the current reduction of the Army being at the rate of eight hundred men per month,) reduction of quartermasters' and other expenses.....	9,000,000
Estimated reduction of other expenditures—Military Academy, Ordnance and Engineer Bureaus, &c., including items covered by "lapping" appropriations separately estimated.....	5,000,000
	<hr/> \$34,000,000

Assuming the above estimates as correct, the regular expenditures of the War Department for the next fiscal year may be taken to be about thirty-nine million dollars; which is nearly in accordance with the revised estimates submitted by General Grant, acting as Secretary of War, in December last.

Gentlemen who may have been alarmed lest we might be expected to expend \$123,000,000 during the next fiscal year on account of the War Department and the Army may therefore feel relieved. They may feel assured that, making the deduction from what has been spent during the last year of those items which are not likely to be required for the next, and also of the expenditures which, although charged to the War Department, are in no way connected with its regular business, and coming down to the requirements of the War Department proper, we shall find that General Grant's revised estimate cannot vary much more than a million one way or the other from what that branch of the public service will really demand.

I have felt it necessary to enter into a somewhat elaborate and particular explanation in relation to this branch of the public expenditure, at the close of the other general estimates which I have submitted, as it was called for by the gentleman from New York, my colleague on the Committee of Ways and Means.

I now go back and repeat my conviction, arrived at with all the care possible and all the exercise of my own judgment, and relying still more upon the detailed and accurate information, as it seemed to me, which has been furnished by the Departments, and by the General commanding, that if we collect, as I trust the passage of this bill will enable us to do, \$70,000,000 from the tax on distilled spirits, we shall have an amount of receipts at the end of the next year exceeding by about fifty million dollars all needed expenditures.

And now, Mr. Chairman, in concluding this review of the policy and purposes of the Committee of Ways and Means, as indicated in the bill which we have offered, let me express to gentlemen around me my thanks for the kind attention and patience with which they have so long listened to me. With this submission of our work to their consideration and action our responsibility in some degree ceases, and theirs begins. We shall be well rewarded if any considerable part of what we have done shall meet approval and contribute to the common good.

31/10/67

END OF
TITLE